

Message Text

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ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-02

PA-03 PRS-01 USIA-12 CIAE-00 COME-00 FRB-02 INR-10

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INFO USMISSION EC BRUSSELS

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E. O. 11652: N/ A

TAGS: EGEN EFIN YO

SUBJ: GOY SETS NEW PRICE POLICY

REF: A. BELGRADE A-809 (11/16/72) B. BELGRADE TEL 0675 (2/15/73)

C. BELGRADE A-24 (1/16/73)

1. BEGIN SUMMARY. NEW PRICE AGREEMENT SIGNED MAY 18 BY FEDERAL GOVERNMENT AND REPUBLICS/ PROVINCES CALLS FOR LIMITING GENERAL PRICE INCREASE IN 1973 TO 9 PERCENT AND COST OF LIVING INCREASE TO 15 PERCENT. CURRENT PRICE FREEZE WILL BE RESCINDED. SUCCESS OF NEW MEASURE DEPENDS ON GREATER ADHERENCE TO PRICE GUIDELINES BY REPUBLICS/ PROVINCES AND MUNICIPALITIES THAN HAS BEEN CASE IN PAST. PRICE AND COST OF LIVING INCREASE ALREADY REGISTERED THROUGH APRIL APPEARS TO LEAVE LITTLE LEEWAY FOR UNEXPECTED PRICE INCREASES STEMMING FROM POOR HARVESTS AND RAW MATERIAL COST INCREASES. END SUMMARY.

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2. PRESS OVER WEEKEND ANNOUNCED SIGNING MAY 18 OF NEW AGREEMENT ON PRICE POLICY BETWEEN FEDERATION AND REPUBLICS/ PROVINCES. KEY FEATURES ARE A) GENERAL PRICE LEVEL IN 1973 NOT REPEAT NOT TO EXCEED 9 PERCENT BY COMPARISON TO DECEMBER 1972 LEVEL AND B) COST OF LIVING INCREASE IN 1973 NOT REPEAT NOT TO EXCEED 15 PERCENT, ALSO BY COMPARISON TO DECEMBER 1972. CURRENT PRICE FREEZE, IN EFFECT SINCE FEBRUARY 15 (REF B) WILL BE RESCINDED WHEN NEW AGREEMENT IS PUBLISHED IN OFFICIAL GAZETTE AND COMES INTO FORCE.

3. IN PRESS CONFERENCE FOLLOWING SIGNING OF AGREEMENT, FEDERAL SECRETARY FOR MARKETS AND PRICES (STOJANOVIC) EXPLAINED THAT AGREEMENT LAYS DOWN GENERAL GUIDELINES WITHIN WHICH PRICE INCREASES ARE TO TAKE EFFECT. IN FUTURE, THEREFORE, ACTUAL PRICES WILL BE SET IN ACCORDANCE WITH PRINCIPLES SET FORTH IN LAW ON SOCIAL CONTROL OF PRICES (REF A).

4. MORE SPECIFICALLY, AGREEMENT STATES THAT PRICES WITHIN FEDERATION COMPETENCE WILL ACCOUNT FOR NO MORE THAN 4.11 PERCENTAGE POINTS OF ENVISAGED 15 PERCENT INCREASE IN 1973 COST OF LIVING AND PRICES WITHIN REPUBLIC, PROVINCE AND MUNICIPAL (OPSTINA) COMPETENCE WILL INCREASE NO MORE THAN 2.99 PERCENTAGE POINTS OF TOTAL COST OF LIVING INCREASE. MUNICIPALITIES ARE FORBIDDEN TO RAISE PRICES AFTER FREEZE IS LIFTED UNTIL REPUBLICS AND PROINCES IN THEIR TURN FORMULATE PRICE GUIDELINE AGREEMENTS WITHIN THEIR OWN JURISDICTIONS SETTING FORTH CONDITIONS AND CRITERIA FOR FORMING PRICES WHICH MUNICIPALITIES MUST THEN FOLLOW.

5. EXPECTED 15 PERCENT INCREASE IN COST OF LIVING FOR 1973 TAKES FOLLOWING UPCOMING PRICE INCREASES INTO EFFECT:
INDUSTRIAL AND FOOD PRODUCTS....4.5 PERCENT
HOUSING AND COMMUNAL SERVICES....12.3 PERCENT
CRAFTS....8.7 PERCENT
RAILWAY PASSENGER TRANSPORT....20.8 PERCENT
URBAN TRANSPORT....13.2 PERCENT
ELECTRIC POWER....18 PERCENT
ROAD TRANSPORT....15.5 PERCENT
PRIVATE AND SOCIAL SECTOR AGRICULTURAL PRODUCTS....13 PERCENT

5. COMMENT. AGREEMENT MARKS END OF INEFFECTIVE PRICE FREEZE AND UPWARD REVISION OF 1973 ECONOMIC POLICY GOAL WHICH WAS TO LIMIT LIMITED OFFICIAL USE

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PRICE AND COST OF LIVING INCREASES IN 1973 TO HALF THE RATE OF INCREASE REGISTERED IN 1972 (COST OF LIVING UP 17 PERCENT; RETAIL PRICES UP 16 PERCENT (REF C). AS IN THE PAST, SUCCESS IN HOLDING NEW LINE ON PRICES DEPENDS TO LARGE EXTENT ON REPUBLIC/ PROVINCES AND MUNICIPAL WILLINGNESS TO ADHERE TO GUIDELINES; AND CONTINUED MEASURES TO HOLD LINE ON DEMAND AND EASE SUPPLY BOTTLENECKS.

EMBASSY CALCULATIONS FROM GOY OFFICIAL STATISTICS SHOW COST OF LIVING THROUGH APRIL 1973 UP 8 PERCENT OVER DECEMBER 1972, WITH RETAIL PRICES UP 6 PERCENT AND INDUSTRIAL PRODUCER PRICES UP 3 PERCENT ON SAME BASIS OF COMPARISON. THESE INCREASES AND THOSE FORTHCOMING UNDER TERMS OF NEW AGREEMENT SEEM TO LEAVE LITTLE MARGIN FOR UNFORESEEN PRICE INCREASES STEMMING FROM POOR HARVESTS OR RISES IN RAW MATERIAL COSTS.
TOON

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